

MEDIA RELEASE



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Montana Teachers' Retirement System

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For Immediate Release

Positive Financial Trend for Teachers' Retirement System

HELENA – The Montana Teachers' Retirement System Board received positive financial news at their quarterly meeting on Friday, September 27, 2013. Actuaries from Cavanaugh Macdonald gave their annual report, which indicates that recent legislative changes – including increases in employee, employer, and state contribution rates and decreases in benefits – have decreased the period of time necessary to fully fund all liabilities of the retirement system (the "amortization period"). Last year's valuation indicated that the TRS amortization period was infinite. The valuation as of June 30, 2013 shows the amortization period is 20 years. The funded ratio of the system also improved over the past year, increasing from 59.24% to 66.8% funded.

In addition to funding improvements from legislative changes, the actuaries reported that the market rate of return for investments over the past year was 12.94%. "These positive trends are due to the hard work by the Governor and the legislature in 2013, working together to pass HB 377," said David Senn, TRS Executive Director, "and the Board of Investments in directing investment opportunities for the TRS fund."

The Montana Constitution requires the public pension systems to be actuarially funded, which means benefits must be fully funded in 30 years or less. "The reported 20 year amortization period along with the increased funded ratio and the rate of return on TRS investments indicates our pension system for our public school educators is on solid footing. The support of Governor Bullock and his staff along with the hard work by the legislature has made a real difference," added Senn.

The purpose of an actuarial valuation is to provide a summary of the funded status of the retirement system. A valuation uses current financial data, information regarding past trends, as well as economic and demographic data in order to estimate future liabilities of the retirement fund. Valuations analyze future trends in terms of decades rather than taking a short-term view of the daily ups and downs of the market. Cavanaugh Macdonald, an independent consulting actuary and a member of the American Academy of Actuaries, specializes in performing valuations of public retirement systems.

The final report will be available on the TRS website at www.trs.mt.gov.

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